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TAGS: [EINV](#) [ENRG](#) [EPET](#) [ETRD](#) [PGOV](#) [FR](#) [SY](#)  
SUBJECT: SARKOZY'S VISIT YIELDS VICTORY FOR FRENCH OIL  
COMPANY

REF: A. DAMASCUS 497  
[1](#)B. DAMASCUS 632

Classified By: Charge d'Affaires Maura Connelly for reasons 1.4(b,d)

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Summary  
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[1](#)1. (C) The most significant economic development resulting from French President Nicholas Sarkozy's visit to Damascus was the signing of an MOU with the SARG that would position the French petroleum company Total to take the lead on any potential projects linking Syria's petroleum infrastructure with Iraq. In two other confirmed economic agreements, the French development agency (AFD) will open a Damascus office within three months and a Sarkozy business associate committed to investing in a solar power project with the Syrian Ministry of Electricity. Conversely, a French Embassy official flatly denied Syrian media reports that Airbus had signed a commitment to sell new aircraft to Syrian Air, but suggested that Airbus execs were exploring ways to dry-lease two aircraft to the Syrian national air carrier via a private third-party. The French diplomat also downplayed rumors that the Syrians had successfully lobbied Sarkozy for cooperation in the field of civilian nuclear power. End summary.

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Total in the Lead on Syrian-Iraqi Petroleum Projects  
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[1](#)2. (C) Total Country Director Hatem Nuseibeh (protect) confirmed that the French petroleum company's CEO Christophe de Margerie had signed three agreements with the Syrian Ministry of Petroleum in conjunction with Sarkozy's visit to Damascus. He claimed that two of the three agreements would have been signed regardless of the thawing Franco-Syrian political relationship, but that the completion of the third deal had probably resulted from Sarkozy's embrace of Bashar.

[1](#)3. (C) According to Nuseibeh, the first agreement simply extends Total's license over energy projects in the Deir Ezzor region for ten more years, until 2021. These projects are owned by Total but operated jointly by Total and Syrian Petroleum Company (SPC). (Note: Royal Dutch Shell also recently signed a ten-year extension of its activities in

Syria, which are considerably more extensive than Total's.)

¶4. (C) The second agreement represents a commitment of USD 100 million by Total to increase gas production and delivery to the Syrian market from the Tabiyah gas field by an estimated 51 million cubic meters. Nuseibeh characterized this deal as an opportunity for Total to provide something that the SARG acutely needs for a "minimal" investment of additional capital.

¶5. (C) Nuseibeh was surprised and excited by the SARG's willingness to sign the third agreement. Calling this MOU a "structural framework," Nuseibeh said that the SARG had committed to partnering exclusively with Total in conducting feasibility studies for several potential projects, including cooperation on "gas projects with neighboring countries." Nuseibeh opined that although the agreement fell short of a SARG commitment to develop these projects with Total, it should prevent the SARG from moving ahead on them with any other petroleum company. In Nuseibeh's estimation, the MOU essentially granted Total the inside track for developing the gas infrastructure to connect Syria with the Akkas gas field in western Iraq -- whenever the political environment would allow. However, he was skeptical that Akkas contained sufficient gas reserves for export to Europe, as many in Syria believe. In his opinion, Akkas gas is ultimately destined for only the Syrian and Lebanese markets.

¶6. (C) Although Nuseibeh did not explicitly mention it, outgoing Chief of the French Economic and Trade Mission Philippe Galli (protect) told us that the MOU also puts Total at the head of the line to receive the Kirkuk-Banyas pipeline

renovation contract, whenever the SARG and GOI reach an agreement.

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Airbus Deal Not Yet Confirmed  
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¶7. (C) Galli also said that, despite Syrian press reports to the contrary, Airbus had not signed any commitment to sell aircraft to Syrian Air. He believed that Airbus representatives had agreed only to explore the possibility of leasing aircraft to Syrian Air under the same legal precedent that had enabled Airbus to lease aircraft to Iran in the 1990s. (Note: Although neither the SARG nor the GOF seems to be aware of this, DOC/BIS officials contend that the Iranian precedent is not relevant to this situation due to significant differences between the Syrian Accountability Act and comparable legislation governing our sanctions on Iran. End note.) He characterized the Syrian media reports of Airbus executives visiting Damascus as simply "one act of a diplomatic ballet." Press reports suggest Airbus executives will soon return to Damascus to continue discussions. We have heard unconfirmed rumors that a prominent Syrian businessman is setting up a front company to lease the aircraft with the intention of re-leasing them to Syrian Air -- presumably in an effort to circumvent U.S. sanctions.

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Other Economic Cooperation Offered  
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¶8. (C) Galli confirmed that the Agence Francaise pour le Development (AFD) had signed an MOU agreeing to re-open an office in Damascus within the next three months and would explore potential projects in water, energy, transportation, training and the environment. He said that a personal friend of Sarkozy's who had accompanied the French president to Damascus had also signed a contract with the Ministry of Electricity to invest in a solar power project in Syria.

¶9. (C) Although occurring prior to Sarkozy's visit, the French cement giant Lafarge also announced its intention to build at least three new cement plants in Syria valued at around USD 100 million each.

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While More Remains Unfulfilled  
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¶10. (C) Galli revealed that the SARG had pushed for the French power company Alstom to return to Syria and complete a power station project that had fallen through when a conflict arose between Alstom and its subcontractor, the Spanish company Iberdrola. Alstom execs told the SARG they would consider renewing the project if the Syrians would have them removed from the Arab League Central Boycott (ALCB) blacklist. Privately, Alstom reps confided to Galli that they had many more lucrative projects in Eastern Europe and were "less than enthusiastic" about taking on additional work in Syria.

¶11. (C) Galli confirmed that the SARG had raised the issue of civilian nuclear cooperation with the French delegation, although he was not sure if Bashar himself had broached the subject with Sarkozy. He said that the Syrian request had been deflected as "a bit early" for discussion.

¶12. (C) Following Bashar's trip to Paris in July, many observers assumed Sarkozy would try to use France's Presidency of the EU to obtain Syrian accession into the EU Association. In the weeks leading up to Sarkozy's visit, however, neither Syrian nor EU officials made mention of the long-stalled agreement. EU diplomats told us that other European states had expressed reservations to the French about pushing the agreement at this time and neither Sarkozy nor Asad mentioned the EU Association in conjunction with the visit. Additionally, British diplomats told us that, in fact, there had not been coordinated discussion of the

Association agreement in the last several months.

¶13. (C) Multiple Embassy contacts reported that French-Lebanese citizen Jacques Saade was also in Damascus during Sarkozy's visit, although he did not participate in official meetings. Saade, who owns the French shipping company CMA-CGM and is of Syrian ancestry, was reportedly lobbying the SARG to award his company the contract to operate the port of Lattakia. Saade had previously lost the contract to operate the port of Tartous to a Filipino company and had partnered with Souria Holding Company in the hopes of improving his chances for the Lattakia project. Notably, the announcement of the contract was originally scheduled for the week of Sarkozy's visit but was inexplicably delayed until September 22. The local agent for chief CMA-CGM competitor Dubai Ports World (DPW) told us that he had received back-channel indicators that DPW had won the tender, but the SARG did not want to upset Sarkozy by making the announcement during his visit.

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Comment  
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¶14. (C) With Syria's rapidly declining oil reserves and increasing demand for natural gas, industry executives tell us that the future of Syria's petroleum industry lies in Iraq. The SARG needed a major multinational company to develop its energy strategy vis-a-vis Iraq, and preferred to partner with a reputable western company than a Russian or Chinese alternative. Of the three major companies currently in Syria (Total, Royal Dutch Shell, and PetroCanada), many Syrians believed that Total was favored by the Iraqi government for the Iraqi portion of the Kirkuk-Banyas pipeline project. Thus, the Sarkozy visit seemingly provided the SARG a politically opportune moment to signal its own preference for Total in developing projects that span the Iraqi-Syrian border.

¶15. (C) Regarding a potential SARG deal with Airbus, the French Embassy tells us that the GOF has committed only to lobbying the U.S. not to oppose the transaction. Meanwhile, Syrian officials such as DPM Dardari continue to claim that the delivery of Airbus planes to Syrian Air is a done deal.

The time may have come to approach both the GOF and Airbus to clarify USG policy regarding the sale and/or leasing of Airbus aircraft to any Syrian entity, which we understand would be subject to the Syria Accountability Act.

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